

§ 203.33 To which production do I apply the RSV earned by qualified phase 2 and phase 3 ultra-deep wells on my lease or in my unit?

(a) You must apply the RSV allowed in § 203.31(a) and (b) to gas volumes produced from qualified wells on or after May 18, 2007, reported on the Oil and Gas Operations Report, Part A (OGOR-A) for your lease under § 216.53. All gas production from qualified wells reported on the OGOR-A, including production not subject to royalty, counts toward the total lease RSV earned by both deep or ultra-deep wells on the lease.

(b) This paragraph applies to any lease with a qualified phase 2 or phase 3 ultra-deep well that is not within an MMS-approved unit. Subject to the price conditions of § 203.36, you must apply the RSV prescribed in § 203.31 as required under the following paragraphs (b)(1) and (b)(2) of this section.

(1) You must apply the RSV to the earliest gas production occurring on and after the later of May 18, 2007, or the date the first qualified phase 2 or phase 3 ultra-deep well that earns your lease the RSV begins production (other than test production).

(2) You must apply the RSV to only gas production from qualified wells on your lease, regardless of their depth, for which you have met the requirements in § 203.35 or § 203.44.

(c) This paragraph applies to any lease with a qualified phase 2 or phase 3 ultra-deep well where all or part of the lease is within an MMS-approved unit. Under the unit agreement, a share of the production from all the qualified wells in the unit participating area would be allocated to your lease each month according to the participating area percentages. Subject to the price conditions of § 203.36, you must apply the RSV prescribed in § 203.31 as follows:

(1) You must apply the RSV to the earliest gas production occurring on and after the later of May 18, 2007, or the date that the first qualified phase 2 or phase 3 ultra-deep well that earns your lease the RSV begins production (other than test production).

(2) You must apply the RSV to only gas production:

(i) From qualified wells on the non-unitized area of your lease, regardless of their depth, for which you have met the requirements in § 203.35 or § 203.44; and

(ii) Allocated to your lease under an MMS-approved unit agreement from qualified wells on unitized areas of your lease and on other leases in participating areas of the unit, regardless of their depth, for which the requirements in § 203.35 or § 203.44 have been met. The allocated share under paragraph (a)(2)(ii) of this section does not increase the RSV for your lease.

Example: The east half of your lease A is unitized with all of lease B. There is one qualified phase 2 ultra-deep well on the non-unitized portion of lease A that earns lease A an RSV of 35 BCF under § 203.31, one qualified deep well on the unitized portion of lease A (drilled after the ultra-deep well on the non-unitized portion of that lease) and a qualified phase 2 ultra-deep well on lease B that earns lease B a 35 BCF RSV under § 203.31. The participating area percentages allocate 40 percent of production from both of the unit qualified wells to lease A and 60 percent to lease B. If the non-unitized qualified phase 2 ultra-deep well on lease A produces 12 BCF, and the unitized qualified well on lease A produces 18 BCF, and the qualified well on lease B produces 37 BCF, then the production volume from and allocated to lease A to which the lease A RSV applies is 34 BCF $[12 + (18 + 37)(0.40)]$. The production volume allocated to lease B to which the lease B RSV applies is 33 BCF $[(18 + 37)(0.60)]$. None of the volumes produced from a well that is not within a unit participating area may be allocated to other leases in the unit.

(d) You must begin paying royalties when the cumulative production of gas from all qualified wells on your lease, or allocated to your lease under paragraph (b) of this section, reaches the applicable RSV allowed under § 203.31 or § 203.41. For the month in which cumulative production reaches this RSV, you owe royalties on the portion of gas production from or allocated to your lease that exceeds the RSV remaining at the beginning of that month.

§ 203.34 To which production may an RSV earned by qualified phase 2 and phase 3 ultra-deep wells on my lease not be applied?

You may not apply an RSV earned under § 203.31: